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No. 140

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IN THE

Supreme Court of the United States

OCTOBER TERM, 1967

UNITED STATES PLYWOOD CORPORATION,

Petitioner,

vs.

GENERAL PLYWOOD CORPORATION,

Respondent.

PETITIONER'S REPLY BRIEF IN SUPPORT OF ITS PETITION FOR WRIT OF CERTIORARI

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Petitioner United States Plywood Corporation (USP) in its Petition presented three questions, any one of which is sufficiently important to justify review by this Court. General Plywood Corporation (GPC) in its Brief in Opposition does not seriously contest the underlying factual basis for these questions, but has taken a diametrically opposed position on each as a matter of law. Thus, this case is ideal for this Court to pass on these questions, as will now be shown *seriatim*.

Question I: Do Courts lack jurisdiction to adjudge a patent valid in the absence of infringement? (Petition, pp. 12-19; Respondent's Brief, pp. 17-25)

The jurisdiction of Federal Courts is limited to justiciable controversies. In a patent infringement case, "once the issue of infringement is decided against the patentee,

there exists no case or controversy justifying a decision in his favor that the patent is valid.[1] This is particularly true where, as here, the scope of the patent claims is undetermined.[2]

Such a holding of patent validity in the absence of a precisely defined scope of the patent is totally hypothetical. It offers no aid to USP or to the public as to where the valid patent monopoly extends, but instead presents the mischief of placing a strengthened *in terrorem* weapon in the hands of the patentee.

In response to this GPC argues that there is an actual controversy for several unsupportable reasons.

First GPC argues that a controversy exists because USP "instituted this litigation by filing a declaratory judgment action demanding a judgment" of patent invalidity.[3] The mere fact that a complaint or counterclaim seeks a declaratory judgment of invalidity does not make the validity issue justiciable.[4] As this Court held, "The requirements of case or controversy are of course no less strict under the Declaratory Judgment Act . . . than in case of other suits".[4A]

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[1] *Cover* v. *Schwartz*, 133 F. 2d 541, 545 (2nd Circuit 1942), cert. denied, 319 U. S. 748.

[2] The Court of Appeals did not determine what the patent scope *is*, but merely determined what it is *not;* that is, it is not so broad as to encompass the accused process. It held that, if the patent were accorded the scope asserted for it by GPC, "it would be hard to ascribe to it the novelty, as opposed to the prior art, which is required for invention" (Petition Supplemental Appendix p. SA 22).

[3] Respondent's Brief, p. 17.

[4] *Hawley Products Company* v. *United States Trunk Co.*, 259 F. 2d 69, 75-76 (1st Cir. 1958); *Kemart Corp.* v. *Printing Arts Research Laboratories*, 201 F. 2d 624, 634 (9th Cir. 1953); *R. H. Baker & Co.* v. *Smith-Blair, Inc.*, 331 F. 2d 506, 507-8 (9th Cir. 1964). See also J. Frank's refutation of this argument in *Wabash Corp.* v. *Ross Electric Corp.*, 187 F. 2d 577, 604-605 (2nd Cir. 1951), cert. den., 342 U. S. 820.

[4A] *Altvater* v. *Freeman*, 319 U. S. 359, 363 (1943).

GPC further attempts to show the existence of an actual controversy by referring to the extensive discovery and trial proceedings on the issue of validity. In doing so GPC avoids the heart of the issue. A dispute between parties may be a "controversy" in common parlance and yet not be a justiciable one. As Mr. Chief Justice Hughes held, "a 'controversy' in this sense must be one that is appropriate for a judicial determination," and further that it must be one "admitting of *specific* relief through a decree of *conclusive* character".[5] It is too obvious for citation that hypothetical, academic or moot controversies do not become justiciable simply because the parties fight vigorously over them.

GPC further contends that there is a continuing controversy because USP may change its processes in the future and that, if it does so (GPC argues), USP should not be allowed to re-litigate the validity question as to the changed processes. This type of threat is precisely one of the evils of gratuitous validity decrees pointed out by Judge Frank of the Second Circuit in holding that such decrees "may, in future litigation, unfairly prejudice" the successful party.[6] If USP changes its process in the future, it will not "relitigate" the validity issue—it will (if necessary) litigate for the first time the validity of the *scope* of the patent claims *as then asserted by GPC* against USP's changed process, which scope will necessarily differ from the scope asserted here.

GPC also argues that there is no conflict between the Sixth Circuit and the other circuits on this question.[7]

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[5] *Aetna Life Ins. Co.* v. *Haworth*, 300 U. S. 227, 241 (1936). (Emphasis added.)

[6] *Wabash Corp.* v. *Ross Electric, supra*, 187 F. 2d at 588-9.

[7] Chief Judge Simon of the Sixth Circuit Court of Appeals itself recognized the existence of a conflict by the Sixth Circuit rule in a *dissent* from the majority in *Crampton Mfg.* v. *Crampton*, 153 F. 2d 543. 547 (6th Cir. 1946), cert. denied 328 U. S. 840, saying, "Just as there can be no infringement of a void patent, so it is clear to me that to hold patent claims valid as against a noninfringer, is to decide a hypothetical case".

GPC urges that in this case the Sixth Circuit Court of Appeals followed a supposed "discretionary rule" of the Sinclair case,[8] in adjudicating the patent valid despite its noninfringement "where the circumstances rendered it appropriate,"[9] and that the First, Second and Ninth Circuits also follow the the same "rule". This is not so. The other circuits follow no such rule. On the contrary, they correctly hold that the only discretion permitted by the *Sinclair* decision is to look into the validity of the patent in order to hold the patient *invalid* in the absence of infringement; no discretion exists to hold the patent valid where infringement is lacking. This is shown by the following decisions from the First, Second and Ninth Circuits:

First Circuit:

> "Our finding of non-infringement made that question presumably moot. *'To hold a patent valid if it is not infringed is to decide a hypothetical case'.* (Citing *Altvater, inter alia.*) However, for us simply to have dismissed this portion of the appeal as moot would have left the district court's determination of validity outstanding although the rationale of our opinion had undercut its basis. Consequently *our minimum obligation was to set the finding aside.* This action did not imply that either or both of the claims of the patent were invalid, but left the matter open." *Hap Corp.* v. *Heyman Mfg. Co.*, 311 F. 2d 839, 844 (1st Cir. 1942), cert. denied 373 U. S. 903 (1963).

Second Circuit:

> "If the evidence shows a patent to be glaringly invalid (i.e., a 'scarecrow'), the trial judge must hold it invalid, whether or not he finds it uninfringed.

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[8] *Sinclair & Carroll* v. *Interchemical Corporation*, 325 U. S. 327 (1944).

[9] Respondent's Brief, p. 21.

> Nothing in *Interchemical* requires him to hold it invalid, when he finds it uninfringed, unless the evidence does disclose that it is a 'scarecrow'. And *certainly nothing in Interchemical requires or permits him*, in defiance of *Electrical Fittings*, to find that an uninfringed patent is valid." (*Wabash Corp.* v. *Ross Electric Corp., supra*, at 187 F. 2d 595 (2nd Cir. 1951)

Ninth Circuit:

> "This, however, is subject to the rule that if the patent is not infringed, it should not also be held valid. *The admonition* [of the *Sinclair* decision] is *limited to those cases in which the patent is invalid.*" *M.O.S. Corporation* v. *John I. Haas Co.*, 375 F. 2d 614, 617 (9th Cir. 1967).

The conflict between the Sixth Circuit in the present case and the above Circuit is clear.

Finally, GPC contends that there is no public interest involved in the question presented, urging that USP's argument that the judgment of validity has endowed GPC with an *in terrorem* weapon to deter competition "is emotional nonsense totally unsupported by the record."[10] This epithet should have been hurled at Judge Frank's decision in the *Wabash Corp.* decision, *supra*, since it was Judge Frank's language that was paraphrased by USP in stating this argument. Judge Frank held that under these circumstances "a well-heeled patentee could use the decision, although it went against him, to threaten other less well-heeled competitors with the notorious expense of patent litigation and thereby coerce them into onerous license agreements, the cost of which would be passed onto the consuming public" (187 F. 2d at 589). And further, "In order to protect not only the defendants but also —in the public interest—others who may later be sued for

[10] Respondent's Brief, pages 24-25.

infringement or threatened with infringement suits, a court should never find or state that a non-infringed patent is valid" (187 F. 2d at 600).

Thus, the Court of Appeals lacked jurisdiction to hold the patent valid despite its noninfringement. In so doing the Court perpetuates its conflict with the other circuits on this important question. Unless set aside by this Court, this decision will block further experimentation and developments by USP and others in this area to the detriment of the public.

Question II: Did the Court of Appeals misconstrue the *Graham* decision[11] in holding valid the patent in issue? (Petition, pp. 20-24; Respondent's Brief, pp. 25-28).

There is no dispute, and indeed GPC admits, that the patentee Alexander used "old tools" in performing the patented process.[12] Nor is there any dispute that the first person to perform the patented process was Oliver Judd, the Minnesota Mining & Mfg. Co. (3M) representative, and that he did so on May 18, 1955 at the Reynolds Company in Louisville, Kentucky.[13] Nor does GPC dispute that when Judd did so, he merely switched the use of these "old tools" from polishing aluminum to polishing wood, varying the running condition in accordance with the explicit instructions of the prior art Timesavers operating manual.[14] GPC gave no instructions to Judd on it; indeed, it was Judd who had suggested the use of cork to GPC.[15]

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[11] *Graham* v. *John Deere Co.*, 383 U. S. 1 (1966).

[12] Respondent's Brief, page 26.

[13] Respondent's Brief, pages 11-12.

[14] Petition, pages 22-23.

[15] GPC's patentee Alexander admitted that the "first time [he] had ever heard of a cork belt was when Judd told him that cork belts had been used to polish hammer handles" (3690a).

What then remains to be patentable?

GPC avoids answering this question and instead argues that the Reynolds cork belt operation was a "single experiment which was a complete failure, never revived" and thus not a prior use within the meaning of the Patent Act.[16] Whether the Reynolds operation was experimental or not is immaterial; the issue is whether Judd's use demonstrated obviousness. As early as 1952, 3M knew and advertised to the public that such cork belts could be used for "obtaining a very high lustre on glass, ceramic, metals and plastic."[17] The Court of Appeals further held (and GPC does not dispute) that cork belts had been "previously used for polishing wood."[18] Thus the use of cork belts for polishing all sorts of materials including wood was well known at the time of the Reynolds run on May 18, 1954. Judd's first run of the patent process at Reynolds confirmed the fact of the obviousness of this process.

GPC also attempts to avoid answering this fundamental question of what is patentable by urging that the microseal process cannot be practiced on metal because metals are not porous and thus cannot be densified. This again diverts from the question. Cork belts had been used for polishing metals as well as other surfaces. It was obvious to use them for polishing wood. If in polishing porous materials such as wood, certain side effects (such as the alleged densification) occur, this does not derogate from the fact that the operation is still basically a polishing operation. Thus the transfer of a polishing operation from a metal-polishing procedure to a wood-polishing procedure as taught by the patent is completely obvious and lacking in any patentable significance.

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[16] Respondent's Brief, page 28.

[17] PX 3M 14 (2), 2748A.

[18] Petition Supplemental Appendix, page SA 17.

GPC also attacks USP's position that GPC is estopped from claiming patent rights to subject matter claimed in the Judd patent. GPC bases its attack on its assertion that the Patent Office did not "give notice" of the Judd patent to GPC. This is inaccurate; clearly the Examiner did give notice to GPC.[19] The Examiner concededly told GPC that it had a choice of either amending to avoid Judd or becoming involved in interference. GPC elected to amend, and having done so, GPC cannot now divorce itself from that position. It is immaterial "whether the examiner [or GPC] was right or wrong" in so doing, estoppel applies.[20]

There is no real dispute between the parties over the material facts underlying the alleged invention. The only dispute is as to the legal standard of patentability applied by the Court of Appeals to these facts. While the Court paid lip service to this Court's decision in *Graham, supra,* it went on to apply the same old watered-down standard of patentability which prompted this Court to hear and decide *Graham.* To protect the high standard reasserted in *Graham,* this Court should strike the patent here as falling far short of that standard.

Question III: Has 35 USC 112 abrogated the *Halliburton*[21] rule requiring definiteness in claiming? (Petition, pp. 24-31; Respondent's Brief, pp. 29-31)

GPC admits that the patented process uses "old tools" (Respondent's Brief, p. 26), namely the prior art 3M cork belt and the prior art Timesaver machine. GPC also admits that this machine had "an adequate range of adjustments to permit the operating conditions to be correlated as taught in the patent" (Respondent's Brief, p. 8). GPC

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[19] Petition, pages 6-10.

[20] *Smith* v. *Magic City Kennel Club,* 282 U. S. 784, 789 (1930).

[21] *Halliburton Oil Well Cementing Co.* v. *Walker,* 329 U. S. 1 (1946).

does not dispute that the Timesaver operating instructions which were sent to each customer with these machines taught the customer to correlate these conditions for "getting just the finish you want" (Petition, pp. 22-23).

GPC however now urges that the *specific* correlation taught by the patent was new and patentable, and that the claims of the patent are sufficiently clear in that they specify that the process results "be achieved by frictional rubbing pressure carried out in a particularly defined manner" (Respondent's Brief, pp. 29-30). In so doing no direct reference is made to the language of the claims themselves, and for good reason, since the claims fail to define what the required specific correlation is. The claims simply call for the "rubbing speed and the pressure and the time contact . . . being correlated" (Claims 1 and 2), conditions "being correlatively controlled" (Claim 3), and "correlatively controlling" the conditions (Claims 4-18) to accomplish the desired result. This is precisely what was prohibited by *Halliburton*, in that the claims are written in terms of "*what it will do* rather than in terms of its own physical characteristics . . ."[22]

GPC tacitly admits that its claims do not meet the rigid test of *Halliburton* by arguing that "the doctrine of the *Halliburton* case has no application to a process claim" (Respondent's Brief, p. 29), but GPC offers no authority for this bald statement. There is no authority for it; this Court held to the contrary in a process patent case:

> "The claim is required to be specific for the very purpose of protecting the public against extension of the scope of the patent."[23]

GPC urges as its second line of defense that its claims meet the requirements 35 USC 112, added by the 1952 Pat-

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[22] 329 U. S. at page 9.

[23] *Universal Oil Prod. Co.* v. *Globe Oil & Ref. Co.*, 322 U. S. 471, 484-5 (1943).

ent Act, which permits claims to be phrased in terms of "means or step for performing a specified function without the recital of structure, material or acts in support thereof." GPC then urges that this Section of the 1952 Act in effect has overruled *Halliburton*. There is a conflict between the parties, as well as between the Circuits on this as shown by the Petition (pp. 25-26). This Court should resolve that conflict.

GPC finally argues that USP's reference to the totally indefinite expressions "relatively non-abrasive" and "no man's land" used by GPC to explain its process relate to "definiteness and . . . have no relevancy to the issue stated" by this question (Respondent's Brief, p. 30). This is *exactly* the question; *Halliburton* bears directly on definiteness in claiming. GPC's statement is inexplicable and requires no further refutation.

Conclusion

USP's Petition presents questions of public importance which involve serious conflicts between the circuits. GPC's brief in response only sharpens these conflicts by asserting diametrically opposed positions as a matter of law rather than fact. It is respectfully submitted that this Petition presents this Court with an ideal case for resolving these questions, and that certiorari should therefore be granted.

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